

Resident Personal Income Tax

General Instructions

Federal line number references were correct when these forms went to print. The federal line number references may have changed since then. If you are unable to decide the proper line to use, please contact one of the Taxpayer Information and Assistance help numbers:

Phoenix(602) 255-3381
Tucson(520) 628-6421
Other Arizona areas1-800-352-4090
Form Orders (602) 542-4260
Forms by Fax (602) 542-3756
Recorded Tax Information
Phoenix(602) 542-1991
Other Arizona areas1-800-845-8192
Hearing impaired TDD user
Phoenix(602) 542-4021
Other Arizona areas1-800-397-0256

Do You Need To File a Return?

A. Filing Status and Income. Your filing status and income determine if you must file an Arizona income tax return. To get a refund of any Arizona income tax withheld, you must file a return.

Gross income is gross income defined under the Internal Revenue Code less income included in gross income that is excluded from Arizona taxation. Income excluded from Arizona taxation may include items such as interest from U.S. Government obligations, social security retirement benefits, and benefits received under the Railroad Retirement Act.

Filing Status and Income Worksheet

The following rules are for all Arizona taxpayers.

You must file if you are:	and your gross income is at least:	or your Arizona adjusted gross income is at least:
Single	\$ 15,000	\$ 5,500
Married filing jointly	\$ 15,000	\$ 11,000
Married filing separately	\$ 15,000	\$ 5,500
Unmarried head of household	\$ 15,000	\$ 5,500

Your Arizona adjusted gross income is found on line 16 of Arizona Form 140A.

Residents of Arizona must report income from **all** sources, including out-of-state income.

B. Residency Status. A resident is anyone domiciled in Arizona. Domicile is the place where you have your permanent home. It is where you intend to return if you are living or working temporarily in another state or country.

Residents, including military personnel, who leave Arizona for a temporary period are residents during their absence. Residents are taxable on all of their income no matter where earned.

For more information on determining residency for Arizona income tax purposes, see Arizona Department of Revenue Income Tax Procedure ITP 92-1. To get a copy of this procedure, call one of the help numbers listed on this page.

C. Military Personnel. If you were an Arizona resident when you entered the military, you continue to be an Arizona resident regardless of where you are stationed. You continue to be an Arizona resident unless a new domicile is established. As an Arizona resident, you are subject to Arizona income taxes on all of your income (including your military pay). If you are stationed in Arizona on military orders and are not an Arizona resident, Arizona does not tax your military pay. If you earn other income in Arizona, that income is taxable by Arizona. Use Form 140NR,

Nonresident Personal Income Tax Return, to report this income.

For more information, see Arizona Department of Revenue brochure, Pub 704, *Taxpayers in the Military*. To get a copy of this brochure, call one of the help numbers listed on this page.

D. American Indians. You must file an Arizona income tax return if you meet the Arizona filing requirements unless **all** the following apply to you.

1. You are an enrolled member of an Indian tribe.
2. You live on the reservation established for that tribe.
3. You earned all of your income on that reservation.

For more information, see Arizona Department of Revenue Income Tax Ruling ITR 91-3. To get a copy of this ruling, call one of the help numbers listed on this page.

E. Spouses of American Indians. See Arizona Department of Revenue Income Tax Ruling ITR 91-3 if you are a non-Indian married to an Indian described in paragraph D above. Also see Arizona Department of Revenue Income Tax Ruling ITR 91-3 if you are a non-enrolled Indian married to an Indian described in paragraph D above. To get a copy of this ruling, call one of the help numbers listed on this page.

F. Part-Year Residents. You must use Form 140PY to report any income earned while an Arizona resident. A part-year resident is anyone who moves into or out of Arizona during the year. See Form 140PY instructions.

G. Nonresidents. You must use Form 140NR to report any income derived from Arizona sources.

H. Deceased Taxpayer. When a taxpayer dies during the year, the surviving spouse or personal representative may have to file a final return. Use the form the taxpayer would

have used. Enter the word "deceased" after the decedent's name in the address section of the form. Also enter the date of death after the decedent's name.

The surviving spouse may file a joint return with the deceased taxpayer. If you are filing a joint return, write "filing as surviving spouse" in the area for the deceased spouse's signature. Include the deceased taxpayer's income up to the date of death and your income for the entire year. **If the booklet was mailed to you, do not use the label.**

If requesting a refund, attach Form 131, *Claim for Refund on Behalf of Deceased Taxpayer*, to the front of the return. It may be necessary to file fiduciary or estate tax returns also. Call the Arizona Department of Revenue for details at (602) 542-4022 on filing a fiduciary or estate tax return.

When Should You File?

Your 1995 tax return is due no later than midnight, April 15, 1996.

File your return as soon as you can after January 1, but no later than April 15, 1996. To avoid penalties and interest, the U.S. Postal Service must postmark your return by April 15, 1996.

If you know you will not be able to file on time, you may file for an extension. ***An extension does not extend the time to pay your income tax. Failure to pay at least 90 percent of the tax due by your original due date will result in a penalty.*** Beginning April 16, Arizona charges interest on any unpaid tax. The extension underpayment penalty is one-half of one percent (.005) of the tax not paid for each 30 day period or fraction of a 30 day period. The extension underpayment penalty cannot exceed 25 percent of the unpaid tax.

To get a filing extension, you can either:

1. Apply for a state extension - (Form 204). To request a filing extension for only your Arizona return, file Arizona Form 204 by April 15. See Form 204 for details.
2. Use your federal extension - (Federal Form 4868 or 2688). Arizona will accept your federal extension for the

same period. Attach a copy of the federal extension to the front of your return. The IRS must have approved the federal extension granted on federal Form 2688. However, if you must make a payment, you must use Arizona Form 204.

Attach a copy of your extension to the front of your return when you file.

Nonresident Aliens

Nonresident aliens having federal income tax returns due on June 15 must file Arizona tax returns by April 15.

To file an Arizona return at the same time the federal return is due, file for an extension by April 15.

At least 90 percent of your tax liability is due by April 15. Those filing for a federal four-month extension must file an Arizona extension for both the four-month and two-month extensions. See Form 204 for extension filing details.

When you do not file your Arizona return or extension by April 15, you may incur interest and penalties. Late filing and late payment penalties and interest will apply to the unpaid tax liability.

Penalties and Interest

A. Late Filing Penalty. The late filing penalty is 5 percent of the tax found to be remaining due for each month or fraction of a month the return is late. This penalty cannot exceed 25 percent of the tax found to be remaining due.

B. Extension Underpayment Penalty. The department imposes this penalty if you do not pay 90 percent of the tax liability shown on your return filed under an extension by the return's original due date. The department also imposes this penalty if you do not attach the extension to your return when you file. The extension underpayment penalty is one-half of one percent (.005) of the tax not paid for each 30 day period or fraction of a 30 day period. The department imposes this penalty from the original due date of the return until the date you pay the tax. The extension underpayment penalty cannot exceed 25 percent of the unpaid tax.

C. Late Payment Penalty. The department imposes the late payment penalty if you do not pay the tax by the time prescribed for its payment. The late payment penalty is 10 percent of the tax not paid within the time prescribed for its payment.

NOTE: *If you are subject to two or more of the above three penalties, the maximum combined penalty cannot exceed 25 percent.*

D. Interest. The department charges interest on any tax not paid by the due date even if you have an extension. The department charges interest from the original due date to the date of payment. The Arizona rate of interest is the same as the federal rate.

Contact one of the help numbers listed on page 1 of these instructions for the current interest rate.

How Do You Amend a Return?

To make a change in your return for 1995 or prior years, file an Arizona Form 140X, Individual Amended Return. **Do not** file a new return for the year you are correcting. Generally, you have four years to amend a return to claim a refund.

If the Internal Revenue Service changes your federal taxable income, you must file an Arizona Form 140X for that year. Attach a complete copy of the IRS agent's report. If there are any changes to your federal taxable income, you must amend your Arizona return within 90 days of the change.

Line-by-Line Instructions for Completing Form 140A

Tips for Preparing Your Return:

- Complete your return using black ink.
- You may round dollar amounts to the nearest whole dollar. If 50 cents or more, round up to the next dollar; if less than 50 cents, round down.
- Complete your federal return before you start your Arizona return.
- Include your home telephone number and a daytime telephone number, if different.

- If a fiscal year return, fill in the period covered in the space provided at the top of the form.

Entering Your Name, Address, and Social Security Number

Lines 1, 2, and 3 -

If your booklet has a pre-addressed label on the cover, use that label if all the information is correct. **Do not use the label if any information is incorrect.**

If there is no correct pre-addressed label, print or type your name, address, and social security number in the space provided. If filing a joint return, enter both social security numbers in the same order as your first names. If you and your spouse have different last names, separate your last names with "and". Put them in the same order as your first names and social security numbers.

The department issues refunds under both first name initials and the first last name listed on the return. For a deceased taxpayer, see page 1 of the instructions.

Use your current home address. The department will send your refund or correspondence to that address.

NOTE: Make sure your social security number is correct and listed in the same order every year if filing jointly.

All returns, statements, and other documents filed with the Department of Revenue require a taxpayer identification number (TIN). The TIN is either a correct social security number or, for a business, the federal employer identification number. Paid tax preparers must also include their TIN on forms where requested. Taxpayers and paid preparers failing to include the proper TIN may be subject to a penalty. Please check the return to be sure that all required identification numbers are accurate and written clearly. Missing, incorrect or unclear identification numbers may cause delays in processing the returns. If you are filing jointly, enter your social security numbers in the same order every year. *If your name appears first on the return, make sure your social security number is the first number listed.*

Determining Your Filing Status

The filing status used on your federal return may be different from that used on your Arizona return. Use this section to determine your correct filing status. Check the appropriate box (4 through 7) on the front of Form 140A.

Line 4 Box - Married Filing a Joint Return

You may use this filing status if married as of December 31, 1995. It does not matter whether or not you were living with your spouse. You may use this filing status if your spouse died during 1995 and you did not remarry in 1995. See "Deceased Taxpayer" section on page 1 for more information.

The Arizona Form 140A is for full year residents only. You may not file a joint Arizona income tax return on Form 140A if any of the following apply.

1. Your spouse is a nonresident alien (citizen of and living in another country).
2. Your spouse is a resident of another state.
3. Your spouse is a part-year Arizona resident.

If filing a joint return with your nonresident spouse, you may file a joint return using Form 140NR. See Form 140NR instructions.

If filing a joint return with your part-year resident spouse, you may file a joint return using Form 140PY. See Form 140PY instructions.

For more information on filing a joint return with your part-year resident or nonresident spouse, see Arizona Department of Revenue Income Tax Ruling ITR 95-2. To get a copy of this ruling, call one of the help numbers listed on page 1 of these instructions.

Line 5 Box - Unmarried Head of Household

You may use this filing status if you meet all the following:

1. You were either single, divorced or legally separated on December 31, 1995.

NOTE: Arizona law is different from federal law. You cannot file unmarried head of household if you are an abandoned spouse or married living apart.

2. You have a qualified dependent you are entitled to claim as an exemption. See line 10 box instructions to find a list of those dependents who qualify.

NOTE: Arizona law is different from federal law. You cannot use this filing status when you cannot claim the dependent as an exemption.

3. Both of the following conditions must apply for your taxable year.

- A. You maintained as your home a household which was the dependent's main home.
- B. You furnished over one-half of the cost of maintaining that household.

If you qualify for unmarried head of household status, check the line 5 box. Enter your dependent's name in the space provided.

Line 6 Box - Married Filing Separately

Use this filing status if married on December 31, 1995, and filing a separate Arizona return.

Check the line 6 box and enter your spouse's name and social security number in the space provided.

Arizona is a community property state. Separate Arizona income tax returns must reflect one-half of the community income from all sources plus any separate income.

You must account for community deductions and credits on the same basis as community income. Both filers must either itemize or not itemize. One may not claim a standard deduction while the other itemizes deductions. If you and your spouse support a dependent child from community income, either you or your spouse may claim the dependent.

Both of you cannot claim the same dependent on both returns.

For more information on how to file separate Arizona income tax returns, see Arizona Department of Revenue Income Tax Rulings ITR 93-18 and ITR 93-19. To get a copy of these tax rulings, call one of the help numbers listed on page 1 of these instructions.

If filing a separate Arizona income tax return with your nonresident spouse, see Arizona Department of Revenue Income Tax Ruling ITR 93-20. To get a copy of this tax ruling, call one of the help numbers listed on page 1 of these instructions.

Line 7 Box - Single

Use this filing status if unmarried or legally separated on December 31, 1995 and you cannot use head of household. Legally separated means under a decree of divorce or of separate maintenance.

Totaling Your Exemptions

Write the number of exemptions you are claiming in boxes 8, 9, and 10. Do not put a checkmark. You may lose the exemption if you put a checkmark in these boxes. You may lose the dependent exemption if you omit names, relationships, and social security numbers on page 2, Part A.

Line 8 Box - Age 65 and Over

Write "1" in box 8 if you or your spouse were 65 or older in 1995. Write "2" in box 8 if both you and your spouse were 65 or older in 1995.

Line 9 Box - Blind

Write "1" in box 9 if you or your spouse are totally or legally blind. Write "2" in box 9 if both you and your spouse are totally or legally blind. To qualify as legally blind, you must attach a physician's letter stating one of the following.

1. Your vision is 20/200 or poorer with corrective lenses.
2. Your field of vision is 20 degrees or less.

Line 10 Box - Dependents

Before totaling your dependent exemptions, you must complete Part A on page 2 of your return.

NOTE: *Arizona law is different from federal law. A divorced parent must furnish over one-half of a dependent's support to claim a dependent as an exemption. A divorced parent cannot claim a dependent without meeting the support test.*

Line A1 - Dependents Related to You

List as dependents any of the following if you provided more than half of their support during 1995:

- child, stepchild, adopted child, grandchild
- son-in-law, daughter-in-law, brother-in-law, sister-in-law
- parent, grandparent, mother-in-law, father-in-law
- brother, sister
- stepparent, stepbrother, stepsister

If related by blood:

- uncle, aunt, nephew, niece

The following groups do not qualify as dependents:

- yourself, spouse
- cousins, foster children
- citizens of any country other than Canada and Mexico who do not live in the U.S.
- roommate, non-relatives

Support includes:

- food, medical and dental care, fair rental value of lodging
- cash contributions, recreation, education, furniture
- appliances and cars bought for a dependent's transportation

You may claim an exemption for a dependent who is born or dies during the year if he or she meets the test above.

Write the dependent(s) name, relationship, and social security number on line(s) A1. You may lose the exemption if you do not furnish this information.

Line A2 - Dependents Age 65 or Over

List here any Arizona resident who is 65 or over if, in 1995, you did one of the following.

1. Paid more than one-fourth of the cost of keeping this person in an Arizona nursing or licensed supervisory care home. Your cost must be more than \$800.
2. Paid more than \$800 for either Arizona home health care or other medical costs for the person.

Tax Tip: *You may claim this exemption even if the person is a non-relative.*

Do not list any person on line A2 whom you have already listed on line A1.

Line A3 - Total Dependents

Enter the total number of persons listed on lines A1 and A2. Enter the same number on the front of the return in box 10.

Different Last Names

If you have filed an Arizona tax return within the past four years with a different last name, enter your prior last name(s) in Part B.

Totaling Your Income

Line 11 - Federal Adjusted Gross Income

You must complete your federal return before you enter an amount on line 11. Even if not filing a federal return, you must complete a 1995 federal return to determine your federal adjusted gross income.

Figuring Your Tax

Line 17 - Standard Deduction and Personal Exemption

Use the chart below to determine your standard deduction and personal exemption amount.

If your filing status is:	Your deduction is:
Single	\$ 5,700
Married filing separately	\$ 5,700
Married filing jointly	\$ 11,400
Head of household	\$ 11,400

Line 18 - Taxable Income

Subtract line 17 from line 16 and enter the result. Use this amount to find your tax using the Optional Tax Rate Tables.

STOP! You must file a Form 140 if:

Your filing status is:	And your taxable income is:
Single	\$ 20,000 or more
Married filing separately	\$ 20,000 or more
Married filing jointly	\$ 40,000 or more
Head of household	\$ 40,000 or more

Line 19 - Tax Amount

Enter the tax from the Optional Tax Rate Tables.

Line 20 - Family Income Tax Credit

You may take the family income tax credit if you meet the following.

1. You are single or married filing separately and your Arizona gross income (line 11 of your Form 140A) is \$10,000 or less.
2. You are married filing jointly or unmarried head of household, and your Arizona gross income (line 11 of your Form 140A) is \$20,000 or less.

Family Income Tax Credit Worksheet — Line 20

To figure your credit, complete the worksheet below.

1. a. If you checked filing status 4 or 5, is the amount on page 1, Form 140A, line 11, \$20,000 or less? If no, **STOP**. You do not qualify.
b. If you checked filing status 6 or 7, is the amount on page 1, Form 140A, line 11, \$10,000 or less? If no, **STOP**. You do not qualify.
2. Enter the number of dependents you entered in box 10, page 1, Form 140A. _____
3. Number of personal exemptions.
If you checked filing status 4, enter the number 2 here. If you checked filing status 5, 6, or 7, enter the number 1 here. _____
4. Add lines 2 and 3. Enter the result. _____
5. Multiply the amount on line 4 by \$30.
Enter the result. _____
6. If you checked filing status 4 or 5, enter \$120 here. If you checked filing status 6 or 7, enter \$60 here. _____
7. Family income tax credit. Enter the lesser of line 5 or line 6. _____
Enter the amount from line 7 of the above worksheet on page 1, Form 140A, line 20.

Line 21 - Balance of Tax

Subtract line 20 from line 19. If the result is less than zero, enter zero.

Totaling Payments/Credits

Line 22 - Arizona Income Tax Withheld

Enter the Arizona income tax withheld shown on the Form(s) W-2 from your employer. Also enter the Arizona income tax withheld shown on your Form(s) 1099-R (distributions from pensions, annuities, etc.). Attach the Form(s) W-2 and 1099-R to the front of your return.

NOTE: You should receive your Form(s) W-2 no later than January 31. If you did not receive a Form W-2 or you think your Form W-2 is wrong, contact your employer.

Line 23 - Amount Paid With 1995 Extension Request (Form 204)

Use this line to report the payment you sent with your extension request.

Line 24 - Property Tax Credit

You may take the property tax credit if you meet **all** the following.

1. You were either 65 or older in 1995 or receiving SSI Title 16 income from the Social Security Administration.

NOTE: This is not the normal Social Security disability.

2. You were an Arizona resident for the full year in 1995.
3. You paid property tax on your Arizona home in 1995. You paid rent on taxable property for the entire year or you did a combination of both.
4. If you lived alone, your income from all sources was under \$3,751. If you lived with others, the household income was under \$5,501.

Complete Form 140PTC to figure your credit. Enter the amount from Form 140PTC, line 15.

Attach Form 140PTC to your return.

Tax Tip: *To claim a property tax credit, you must file your claim or extension request by April 15, 1996.*

Figuring Your Overpayment or Tax Due

Line 26 - Tax Due

If line 21 is more than line 25, you have tax due. Subtract line 25 from line 21. Skip line 27.

Line 27 - Overpayment

If line 25 is more than line 21, subtract line 21 from line 25.

Making Voluntary Contributions

You can make voluntary contributions to each of the funds shown below. A contribution will reduce your refund or increase the amount due with your return.

You cannot change original contributions later on amended returns.

Line 28 - Arizona Wildlife Fund

Contributions go to the Arizona Game, Nongame, Fish and Endangered Species Fund. This fund helps protect and conserve over 1,000 nongame species.

Line 29 - Child Abuse Prevention Fund

Contributions go to the Arizona Child Abuse Prevention Fund. This fund provides financial aid to community agencies for child abuse prevention programs.

Line 30 - Neighbors Helping Neighbors

Contributions go to the Neighbors Helping Neighbors Fund. This fund provides eligible recipients with emergency aid in paying energy utility bills, conserving energy and weatherization.

Line 31 - Special Olympics

Contributions go to the Special Olympics Fund. This fund helps provide programs of the Arizona Special Olympics.

Line 32 - Political Contributions

Contributions go to one of the following political parties:

Democratic
Libertarian
Republican

Line 33 - Political Party

Check the box for the political party to which you wish to give. Select only one party. If you do not select a political party, the department will return the amount on line 32.

Figuring Your Refund or Tax Due

Line 35 - Refund

Subtract line 34 from line 27. Enter your refund on line 35 and skip line 36.

If a refund is less than \$1, you must request your refund in writing. Attach your request to the front of your return.

If you owe money to any state agency and certain federal agencies, your refund may go to pay some of the debt. If so, the department will let you know by letter.

Tax Tip: *If you change your address before you get your refund, let the department know. Write to: Refund Desk, Arizona Department of Revenue, 1600 W Monroe, Phoenix AZ 85007. Include your social security number in your correspondence.*

Line 36 - Amount Owed

Add lines 26 and 34. Enter the amount you owe on line 36.

Make your check payable to Arizona Department of Revenue. Write your social security number on the front of your check or money order. Attach your check or money order to the front of your return where shown.

The department cannot accept checks or money orders in foreign currency. You must make payment in U.S. dollars.

Sign Your Return

You must sign your return. If married filing a joint return, both you and your spouse must sign even if only one had income. The department cannot send a refund check without proper signatures on the return.

Instructions for Filing

Before You File Your Return

- Include your home telephone number and a daytime telephone number.
 - Double-check your **MATH**. A simple error can cause major delays in processing your return.
 - Make sure your **NAME** is on the return. If you received your return in the mail, use the preprinted label. **If the label is not correct, do not use it.**
 - If claiming **dependent** exemptions, write the number of dependents claimed on the **front** of the return. Also, write each claimed dependent's name, relationship, and social security number on the back of the return.
 - Check the **boxes** to make sure you filled in all required boxes.
 - Attach **all** required documents.
1. Attach **Form(s) W-2 and/or 1099-R** to the **front** of the return.
 2. Write your social security number on the front of your check and attach your **check** to the **front** of the return.
- The Department of Revenue may charge you \$25 for a check returned unpaid by your financial institution.
3. If you requested a filing extension, attach a copy of the federal or state extension requests to the front of the return.
 4. If you are claiming a property tax credit, attach a completed Form 140PTC and all required documents.

- Sign your return and have your spouse sign if filing jointly.

Filing Your Return

Make a copy of your return and any accompanying schedules to keep for your records before mailing the return. (Remember to file the original, not a copy.)

To mail your return, use the envelope that came in your booklet. If it is missing, send the return to: Arizona Department of Revenue, PO Box 29002, Phoenix AZ 85038-9002.

Make sure you put enough postage on the envelope.

Finally, remember the U.S. Postal Service must postmark your return or extension request by midnight April 15.

Postage meter postmarks are unacceptable. Only U.S. Post Office postmarks qualify.

How Long To Keep Your Return

You must keep your records as long as they are important for any Arizona tax law. Keep records that support an income or deduction item at least until the period of limitations expires for that return. (A period of limitations is the limited time after which no legal action can be brought.) Usually, this is four years from the date the return was due or filed. However, there are instances where the limitation period is longer than four years. For instance:

If unreported income is more than 25 percent of the income shown on the return, the period of limitations does not expire until six years after filing the return.

The department can bring an action at any time if a return is false or fraudulent, or if you do not file a return.

There are other situations which could extend the limitation period longer than four or six years. Therefore, keep some records longer. For example, keep records which establish the basis of property for a period longer than four years. Additionally, keep net operating loss records back to the date you incurred the loss. For additional information, get federal Publication 552, Record Keeping For Individuals.

When To Expect Your Refund

Expect your refund in the mail within 8 weeks of the date you filed. If you have not received your refund by that time, contact one of the help numbers listed on page 1 of these instructions.